

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AMENDMENT NO. 1 TO THE AGREEMENT)	
FOR ELECTRIC SERVICE BETWEEN)	
HENDERSON UNION ELECTRIC COOPERATIVE)	CASE NO. 94-313
AND COSTAIN COAL COMPANY)	

O R D E R

On October 21, 1994, the Commission rejected Amendment No. 1 ("Amendment") to the Agreement for Electric Service ("Agreement") between Henderson Union Electric Cooperative ("Henderson Union") and Costain Coal, Inc. ("Costain") on the grounds that the Amendment did not provide adequate security for Henderson Union or its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers").¹ The Commission directed Henderson Union to negotiate a satisfactory security provision and resubmit the Amendment within 60 days from the date of its Order.

After several delays in negotiations between itself and Costain, Henderson Union resubmitted the Amendment for Commission approval. The revised Amendment requires Costain to enter into a Utilities Bond with The Aetna Casualty and Surety Company, in the penal sum of \$500,000, with Henderson Union as the obligee.² The

¹ The Commission cited uncertainties regarding Costain's financial condition as grounds for requiring that Henderson Union obtain a more satisfactory security provision.

² The bond instrument, a copy of which was filed as Exhibit 1 to the Amendment, was executed by Costain and Aetna on December 2, 1994.

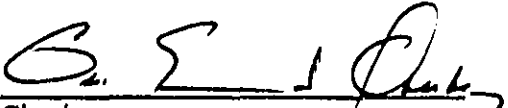
security provision of the Amendment authorizes Henderson Union to monitor the amount of Costain's annual electric bill and the termination charges provided for in Addendum 3 to the Agreement to determine whether additional bonding is necessary. The provision also authorizes Henderson Union to withhold demand credits, provided for in Addendum 3, equal to any deficiency in the amount of the bond until such time as the proper amount of bonding is furnished by Costain.

After considering the revised Amendment and our concerns regarding the security provisions of the original Amendment, the Commission finds that the revised Amendment provides adequate security for Henderson Union and Big Rivers, is reasonable under the particular facts presented herein, and should be approved.

IT IS THEREFORE ORDERED that Amendment No. 1 to the Agreement for Electric Service between Henderson Union and Costain be and it hereby is approved effective with the date of this Order.

Done at Frankfort, Kentucky, this 24th day of March, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner